

Monday, November 17<sup>th</sup>, 2014

## Weekly Update

### 1. 2014 Financial Results

- Updated Q4 – Probably need to get back together to update status of moving pieces.
  - Accelerated A/R on terminations
    - Marcrafft Resolution – Have not confirmed settlement. Can we discuss?
    - **New** Flat Fitty scenario. Default, no cure, termination. Approx. 900k.
  - GBG Global Marketing – Processed Mossimo/ Zoo York SE Asia
  - Business Development Options
    - Middle East JV
      - Moving forward on parallel paths
      - Legal timeline has been set and given to Abu Issa
      - Entire set of docs, forming new JV with GBG, is going out on Tuesday. We have held them back from doing diligence w/ licensees until we hear back from Abu Issa on Tuesday.
    - Options with GBG if no Middle East
      - US/ Latin America JV for Zoo York
      - Sell 33% of Buffalo, Material Girl and Modern Amusement into existing JVs in Europe, SE Asia, & Korea.
  - We are working on GBG tracking stock for Lee Cooper EU. Lawyers have found a solution and we are proceeding.
  - Did we exchange signatures w/ Roc Apparel/ cleanup?
    - Would like to assist in any way on getting incremental 1% from Tom/Renee/Pharrell for BBC & Ice Cream. Could generate another \$3-\$4m for next year revenue (top line) and be used for Business Development '15 initiatives.

### 2. GBG Update

- a. Rocawear kids; Agreed to terms with Jason. Have drafted, but holding off on sending doc until requested. Will sign these docs concurrent with Middle



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East or alternative transaction. Or we can re-trade based on current events w/ New Rise. Although I believe very messy and disruptive to the brand/ org.

- b. There is a confirmed meeting in Hong Kong the week on Nov. 21st with Win Hanverky, GBG, and Iconix/ Umbro. Will Byron will represent Umbro/Iconix. Willy is aware of the meeting as well.

3. DASS Update

- a. Came to terms with Dass. Will provide you with final term sheet.

4. Incubator/ Growth Engine

a. Pony

- Signed NDA w/ Symphony to get detail on existing business.

- Have built multiple decks (one focused on athletic; one focused on lifestyle; one combined.

- Will attempt to schedule retailer meetings this Thursday and Friday – and next Monday/ Tuesday if possible. Would like to see Kmart, Target, Kohls, JCP, Big 5, Academy, TSA & Dick's. Believe I can see Kmart, Big 5, Academy and TSA this week. Would like to see Kohls and Target next week.

- Sports Direct has interest, but want to know how to buy it together- making even less attractive economics. If US falls into place, then we will further this conversation.

c. Rob Dyrdek

- We have told them that we are pushing back from the table until we can find a brand to buy together.

8. Misc..

- a. Peanuts; Lots of thinking around structure- and pro's and con's of making changes. Happy to discuss.

- b. Strawberry Shortcake: If Leigh Anne is not taking the lead on diligence/ post transaction running of business, I would like to do so. Believe I can help, maybe work with Brandon on it? – **Still believe this is important.**

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- c. Working on Zoo York and Ecko outerwear for JCP with Barry Kay. He disappeared last week; will follow up this week.
- d. My out of office meeting with Jeff was ok. He is culturally rattled. And that, in his mind, is what is effecting his performance. I am going to attempt to coach him through this.
- f. Dick's Sporting Goods. Working on an aggressive plan to take Reebok floor space. Reebok product is of poor quality/ value. Big opportunity. Happy to walk you through our direction.
- g. Foot Locker. We have a meeting with Ken Side on Starter Black. He wants to use the brand for his private label "fashion" business. Which is really core fashion pieces- joggers, basketball shorts, cut & sew fleece tops.
- h. Retailer Meetings. I like that we are working on this. Should hold ourselves to seeing all of our major current and future potential DTR partners by end of February.
- i. Hydraulic Denim. We can buy up to 100% of IP for \$11m and have guaranteed licensed revenue from IBrands (Marc Garson co) of \$2m/ year for 5 years @ 8% royalty. As state of IP/ Opco is in limbo, would like to resolve early this week.

5. Rocawear

- a. Prior to the transition to the new model in March, we discussed Rocawear with Oved, Q4, GBG and SouthPole.
- b. We have a manufacturing agreement in place with Kevin Yap today (where we are responsible for sales, design, and chargebacks).
- c. Based on current scenario of Rocawear Blak, and Brooklyn's Own, do we want to re-engage any of these potential licensees? It is messier from a brand perspective, but cleaner from a transition (no Roc Apparel mess).
- d. As you have said, there are "no licensees" left on this street. While there are still licensees- there are no licensees for brands that have been deemed Urban. Licensees have witnessed and been burned by this segment of the market.

6. Kids "Division"

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a. Over the past 12 months we have met with Parigi, LT Apparel, Longstreet (Q4), One Step Up, AME (GBG), Berkshire Fashion and Evy to discuss Ecko Unlimited/ Ed Hardy and or Rocawear.

i. We received a proposal from Evy last week for Ecko Unlimited. It is very low. However, JCP is not going to add kids until men's rolls out.

ii. All others have passed on these businesses.

iii. If we want to take the risk/ manage kids business direct with Jonathon running it, maybe we can build a nice business to then license out (w/ Jonathon for continuity).

#### 7. Ecko Unlimited

a. Prior to bringing on New Rise/ Commune, we met with Buffalo/ Fame, Adjmi, Hybrid, Jordache, One Step Up, High Life (former Ecko Function licensee), Hidary and Q4.

b. Selling has been fair at best at JCP. Fame would certainly like to take on this brand if we want to dismantle New Rise.

c. Marketing – and co-branded apparel at JCP has been very strong. We are doing a photoshoot with Miguel Cotto in Puerto Rico on Monday. He will be face of Spring campaign.

#### 8. Ed Hardy

a. When we decided to go mass, we opened and presented the brand to Adjmi, Jerry Leigh, GBG, Jem, Bioworld, Junkfood, Hybrid, Giii, Buckle (DTR), JCorp, Parigi, LT Apparel, and others.

b. We presented a vendor day at Walmart – and were able to sign 11 licensees with minimums that kicked in w/ volume. Nobody achieved these relatively small thresholds. Test wasn't given best chance and underperformed.

c. Kmart has had two successful tests of juniors tees and leggings and men's tees.

d. Kmart credit has scared licensees from shipping them.

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- e. Currently Kmart would like to do 500 doors of in/out fashion programs for Ed Hardy.
- f. If Apex/ New Rise takes on Ed Hardy, perhaps they can build a meaningful business to then license.
- g. If we want to go direct, we can explore that option. And use Jonathon- if we keep him on board for kids, for direct sales to Kmart for Iconix – using New Rise back end.
- h. We can get meetings with new potential licensees based on success.
- i. If I am able to go to Kmart over the next 10 days, I can pitch DTR.

9. New Rise Options

- a. Still believe we should do the full license w/ Apex brands for all three brands/ categories.
  - i. It gives us the revenue these brands need.
  - ii. It gives us the flexibility to take back brands/ categories as we like.
  - iii. It gives us an operating company that will sample, sell & pitch our brands that are in need of focus. No other wholesale company will focus on these brands like Apex will.
  - iv. Our time, is precious. I understand the large investment we have made in these brands. However, they now make up less than 10% of Iconix revenue and can consume 80% of our time if we let it. We have competition in our space, the need to acquire brands and to focus on opportunities with bigger upside. You know how I feel about this. My passion, I believe, is based on logic and my desire for an \$80 stock price. Like you.